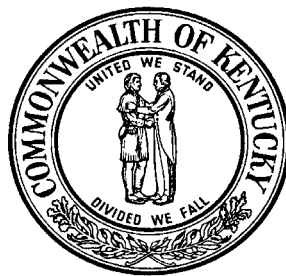


**REPORT OF THE AUDIT OF THE
CAMPBELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

The enclosed report prepared by VonLehman & Company, Inc., Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged VonLehman & Company, Inc. to perform the audit of these financial statements. We worked closely with the firm during our report review process; VonLehman & Company, Inc. evaluated the Campbell County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT

JUNE 30, 2005

VonLehman & Company, Inc. has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Campbell County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Campbell County's major federal programs, U.S. Department of Housing and Urban Development Housing Choice Voucher Program and Section 236 Direct Loan, for the year ended June 30, 2005.

Financial Condition:

The fiscal court had net assets of \$34,616,377 as of June 30, 2005. The fiscal court had unrestricted net assets of \$5,883,245 in its governmental activities as of June 30, 2005 with total net assets of \$33,461,667. In its business-type activities, total net cash and cash equivalents were \$121,736 with total net assets of \$1,154,710. The fiscal court had total debt principal as of June 30, 2005 of \$6,579,647 with \$924,134 due within the next year.

Report Comment:

The County Jailer Should Properly Reconcile Bank Account Monthly.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campbell County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2005, on our consideration of Campbell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The County Jailer Should Properly Reconcile Bank Account Monthly

VonLehman & Company, Inc.

Audit Fieldwork Completed -
December 29, 2005

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Steve Pendery	County Judge/Executive
David E. Otto	Commissioner
Kenneth L. Rehtin	Commissioner
Mark T. Hayden	Commissioner

Other Elected Officials:

Justin Verst	County Attorney
Greg Buckler	Jailer
Jack Snodgrass	County Clerk
Thomas Calme	Circuit Court Clerk
John Dunn	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

Appointed Personnel:

Diane E. Bertke	County Treasurer
Linda Eads	Occupational Tax Collector
James Seibert	Finance Officer

**CAMPBELL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

The financial management of Campbell County, Kentucky offers readers of Campbell County's financial statements this narrative overview and analysis of the financial activities of Campbell County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information that we may have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Campbell County had net assets of \$34,616,377 as of June 30, 2005. The fiscal court had unrestricted net assets of \$5,883,245 in its governmental activities as of June 30, 2005. In its business-type activities, cash and cash equivalents were \$121,736 with total net assets of \$1,154,710. Total debt principal as of June 30, 2005 was \$6,579,647 with \$924,134 due within one year.
- The government's total net assets decreased by \$238,989 from the prior year. This decrease is primarily due to an increase in expenses in the categories of General Government and Protection to Persons and Property.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$9,655,518. Of this amount, \$7,895,712 is available for spending at the government's discretion (unreserved fund balance).
- Campbell County's total indebtedness at the close of fiscal year on June 30, 2005 was \$6,579,647, of which \$5,655,513 is long-term debt (due after 1 year) and \$924,134 is short-term debt (to be paid within 1 year). There were no debt additions and debt reductions were \$891,102. Campbell County had capital project expenditures amounting to \$2,965,560 during the year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Campbell County's basic financial statements. Campbell County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Campbell County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Campbell County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Campbell County is improving or deteriorating.

**Campbell County
Management's Discussion and Analysis
June 30, 2005**

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Campbell County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has two business type activities: A.J. Jolly Park and Lakeside Terrace Apartments.

The government-wide financial statements include not only Campbell County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Campbell County has four such entities: A.J. Jolly Park, Lakeside Terrace Apartments, the Housing Choice Voucher Program and the Campbell County Public Properties Corporation. These are known as blended component units.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Campbell County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Campbell County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Campbell County maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail, Payroll Tax, the Housing Choice Voucher Program and the Debt Service Public Properties Corporation funds, all of which are considered major funds by the County. The Local Government Economic Assistance, Developers Road Escrow, Emergency Shelter Grant, the Capital Projects,, Senior Citizen Tax, Mental Health Tax, and Jail Commissary funds are considered non-major funds and are represented in a combined form.

Campbell County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Campbell County
Management's Discussion and Analysis
June 30, 2005**

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Lakeside Terrace Apartments and A.J. Jolly funds.

Fiduciary Funds. Campbell County's fiduciary funds are agency funds which account for monies held by the County for custodial purposes only. The County's agency funds are the Jail Inmate Account, the Consolidated Payroll Tax Account, and the Performance Bond Account.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1
Campbell County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current assets	\$11,230,374	\$10,524,474	\$179,210	\$137,859	\$11,409,584	\$10,662,333
Capital assets	27,304,605	28,627,515	1,667,218	1,618,247	28,971,823	30,245,762
Other assets	3,009,540	1,311,175	163,656	176,051	3,173,196	1,487,226
Total assets	41,544,519	40,463,164	2,010,084	1,932,157	43,554,603	42,395,321
Liabilities						
Current and other liabilities	872,576	1,690,568	141,738	261,516	1,014,314	1,952,084
Long-term liabilities	6,994,394	5,310,929	690,529	515,931	7,684,923	5,826,860
Total liabilities	7,866,970	7,001,497	832,267	777,447	8,699,237	7,778,944
Net Assets						
Invested in capital assets, net of related debt	20,352,993	27,578,422	996,618	1,031,229	21,349,611	28,609,651
Restricted			143,727	156,158	143,727	156,158
Unrestricted	13,324,556	5,883,245	37,472	-32,677	13,362,028	5,850,568
Total net assets	\$33,677,549	\$33,461,667	\$1,177,817	\$1,154,710	\$34,855,366	\$34,616,377

Changes in Net Assets

Governmental Activities. Campbell County's net assets decreased by \$215,882 in fiscal year 2005. Key elements of this are as follows:

- Current assets and cash decreased by \$747,251. This was primarily due to the use of cash to fund construction projects.
- Investment in capital assets, net of related debt increased by \$7,260,040. The majority of this increase related to the inclusion for the first time of infrastructure assets such as roads and bridges.

**Campbell County
Management's Discussion and Analysis
June 30, 2005**

- Current and long-term liabilities decreased by \$920,293 as a result of long-term debt payments.
- Revenues were \$25,440,338, as reflected in the Statement of Activities.
- Expenditures totaled \$25,679,327 as reflected in the Statement of Activities.

Business-type Activities. Campbell County's net assets for these activities decreased by \$238,989.

**Table 2
Campbell County Condensed Statement of Activities**

	2004	2005	2004	2005	2004	2005
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Revenues:						
Program Revenues:						
Charges for Services	1,455,561	1,045,389	1,068,981	1,050,231	2,524,542	2,095,620
Operating Grants and Contributions	6,807,815	6,954,270			6,807,815	6,954,270
Capital Grants and Contributions	316,877	367,058			316,877	367,058
General Revenues:						
Property Taxes	4,469,205	4,916,978			4,469,205	4,916,978
Occupational Taxes	7,193,641	7,463,967			7,193,641	7,463,967
Other Taxes	1,460,097	1,819,139			1,460,097	1,819,139
Excess Fees	701,172	734,101			701,172	734,101
Other	341,245	1,086,442	(52,754)	2763	288,491	1,089,205
Total Revenues	22,745,613	24,387,344	1,016,227	1,052,994	23,761,840	25,440,338
Expenses:						
Governmental Activities						
General Government	10,767,970	11,447,598			10,767,970	11,447,598
Protective Services	4,824,351	5,699,798			4,824,351	5,699,798
Health and Sanitation	326,000	352,538			326,000	352,538
Social Services	3,333,873	3,328,646			3,333,873	3,328,646
Recreation and Culture	398,313	441,281			398,313	441,281
Roads	1,392,993	2,265,101			1,392,993	2,265,101
Bus Service	413,470	451,843			413,470	451,843
Debt Service	331,676	612,531			331,676	612,531
Capital Projects	278,739	3,890			278,739	3,890
Business Type Activities						
Jail Canteen						
Lakeside Terrace Apts.			311,029	310,522	311,029	310,522
A.J. Jolly Park			733,542	765,579	733,542	765,579
Total Expenses	22,067,385	24,603,226	1,044,571	1,076,101	23,111,956	25,679,327
Change in net assets	678,228	(215,882)	(28,344)	(23,107)	649,884	(238,989)
Net Assets- Beginning	18,544,318	33,677,549	1,206,161	1,177,817	19,750,479	34,855,366
Restatement of Net Assets	14,455,003	0	0	0	14,455,003	0
Net Assets-Ending	33,677,549	33,461,667	1,177,817	1,154,710	34,855,366	34,616,377

Financial Analysis of the County's Funds.

As noted earlier, Campbell County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Campbell County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such

**Campbell County
Management's Discussion and Analysis
June 30, 2005**

information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2005 fiscal year, the combined ending fund balance of County governmental funds was \$9,655,518. Approximately 82% (\$7,895,712) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,759,806) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Payroll Tax Fund; 5) Housing Choice Voucher Fund and 6) Public Properties Corporation. There are 7 non-major funds. They are the Developers Road Escrow Fund, Local Government Economic Assistance Fund, Emergency Shelter Grant Fund, the Capital Projects Fund, Senior Citizen Tax Fund, Mental Health Tax Fund, and the Jail Canteen Fund.

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$1,618,940, while total fund balance was \$1,644,560. During fiscal year 2005 there was a decrease of \$1,472,546 from the prior year-end general fund balance. The county received \$3,852,239 in Real Property tax revenues. This accounts for approximately 38% of the general fund revenue. \$2,883,878 was received from personal property, motor vehicle and insurance taxes which account for approximately 29% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$734,101 or 7% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 26% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$300,237 in fund balance at June 30, 2005. The fund balance at the end of the previous year was \$190,360. The higher FY 2005 fund balance was due mainly to the timing of road expenditures. The fiscal year 2005 expenditures for road projects were \$1.4 million. State funding provided a total of \$828,947 in funding for road projects during the fiscal year. Transfers from the general fund provided nearly the entire remaining funding requirement.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2005 of \$119,504, \$756 of which was reserved. That is an increase in fund balance of \$90,491 from the previous fiscal year-end. The Jail Fund received \$878,586 from the state and federal governments for services, primarily for housing prisoners. Transfers from other funds were used to cover a total of \$2,625,028 in jail expenses.
4. The Payroll Tax Fund is used in part to provide funds for the operation of the regional transit system. As of 6/30/2005 the balance in this fund was \$5,191,186. This represented a decrease in the fund balance of \$1,555,477 from the previous year-end. This decrease in fund balance was due mainly to transfers made from the payroll fund to the general fund in order to meet the general funding needs of the County.
5. The Housing Choice Voucher Program ended the 2005 fiscal year with a fund balance of \$177,323. The previous year balance was \$113,320. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).

**Campbell County
Management's Discussion and Analysis
June 30, 2005**

6. The Public Properties Corporation Fund serves as a conduit for the financing of various County projects. Thus bonds and refunding bonds have been issued through this Corporation. The fund balance at the end of 6/30/05 was \$467,536. The 6/30/04 ending fund balance was \$454,354.
7. The total fund balance for the non-major funds as of June 30, 2005 was \$1,755,172. This represented an increase over the prior year of \$ 717,916. Total expenditures for the non-major funds for the year were \$3,556,162. Capital project expenditures accounted for \$2,439,918 of this total. Transfers from other funds provided a total of \$2,892,061 to cover those expenses. Other revenue sources for the non-major funds include occupational license and payroll taxes designated for Senior Citizens and mental health programs in the County. The Senior Citizen program revenues for the year from this source amounted to \$396,930. Mental Health program revenues were \$669,515 for the year. The Mental Health Fund also received \$131,213 in Safe Haven funds from the Federal Government. A total of \$264,007 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds. Another fund included in this category is the Capital Projects fund. All of the revenue in this fund comes from transfers out of the General Fund. During fiscal year 2005 these transfers totaled \$2,891,561.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Campbell County has two enterprise funds, the Lakeside Terrace Apartments and A.J. Jolly Park.

1. Lakeside Terrace Apartments had net assets of \$321,944 as of June 30, 2005 with a cash balance of \$76,404. Most of the revenue for this fund is derived from tenant payments. During fiscal year 2005 these tenant payments for rent amounted to \$261,268. Federal payments into this fund for tenant assistance amounted to \$72,067.
2. A.J. Jolly Park net assets at 6/30/2005 amounted to \$832,766 with a cash balance of 45,332. The majority of the Park's assets consisted of capital assets such as land and land improvements for this golf and general recreation facility. Net capital assets for the Park amounted to \$837,675 at the fiscal year-end. Revenues for the golf course amounted to \$670,978 and were derived from user fees.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year increasing the operating budget by \$387,000. Budget amendments were made to the General, Road and Capital Projects Funds to adjust for the receipt of various unanticipated revenues and related expenses. The largest of these items was an expenditure of \$270,000 for construction costs relating to a new restricted custody detention center. The County also received \$87,000 in unanticipated Road Aid funds.

Actual operating revenues were \$34,765 more than the amount originally budgeted by the Fiscal Court. This increase was primarily due to higher tax revenues.

Actual operating expenditures were \$1,268,247 less than originally budgeted by the Fiscal Court. This was primarily due to less than anticipated debt service costs.

**Campbell County
Management's Discussion and Analysis
June 30, 2005**

The most significant capital asset change for the year related to construction costs for a new restricted custody center (\$1,035,705) and construction of an addition to the County's Senior Center (\$531,683). In addition a total of \$500,294 was spent during this fiscal year toward the construction of a new Jail kitchen/laundry facility.

Capital Assets and Debt Administration.

Capital Assets. Campbell County's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$30,245,762 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure assets. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2005 fiscal year included the construction of a new restricted custody center for the jail, initial costs for the construction of a jail kitchen/laundry facility, the purchase of six police cruisers, construction of an addition to the Campbell County Senior Center, completion of a new house numbering system, renovation of restroom facilities at the A.J Jolly Park, replacement of computer hardware and replacement of other aging County equipment.

Additional information on the County's capital assets can be found in Note 4 of this report.

**Table 3
Campbell County's Capital Assets, Net of Accumulated Depreciation**

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2005	2004	2005	2004	2005
Infrastructure Assets	\$15,573,763	\$14,714,896			\$15,573,763	\$14,714,896
Land	2,846,916	2,857,598	480,390	446,451	3,327,306	3,304,049
Bldgs. & Improvmts.	7,232,868	9,510,112	1,020,049	980,535	8,252,917	10,490,647
Other Equip.	868,906	838,136	166,779	191,261	1,035,685	1,029,397
Vehicles & Equip.	<u>782,152</u>	<u>706,773</u>	<u>0</u>	<u>0</u>	<u>782,152</u>	<u>706,773</u>
	<u>\$27,304,605</u>	<u>\$28,627,515</u>	<u>\$1,667,218</u>	<u>\$1,618,247</u>	<u>\$28,971,823</u>	<u>\$30,245,762</u>

Long-Term Debt. At the end of the 2005 fiscal year, Campbell County had total long-term debt outstanding of \$6,579,647. The amount of this debt due within the next year is \$924,134 and \$5,655,513 is due in subsequent years. This debt is for the district and circuit court facilities, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 9 of the notes to the financial statements.

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.

**Campbell County
Management's Discussion and Analysis
June 30, 2005**

- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a drain on the overall budget. The County is considering a number of measures to address this problem which is common to county governments throughout the state.

Requests for Information

This financial report is designed to provide a general overview of Campbell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 24 West 4th St., Newport, KY 41071.

**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2005

CAMPBELL COUNTY
STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,836,025	\$ 121,736	\$ 6,957,761
Accounts Receivable	3,683,849	1,370	3,685,219
Prepaid Expenses	4,600	14,753	19,353
Total Current Assets	<u>10,524,474</u>	<u>137,859</u>	<u>10,662,333</u>
Noncurrent Assets:			
Notes Receivable			
Due Within One Year	311,304	-	311,304
Due After One Year	999,871	-	999,871
Tenant Deposits Held in Trust	-	19,883	19,883
Escrow Deposits	-	20,862	20,862
Residual Receipts	-	132,944	132,944
Replacement Reserve	-	2,362	2,362
Capital Assets - Net of Accumulated Depreciation			-
Land	2,857,598	446,451	3,304,049
Land Improvements	268,979	529,454	798,433
Buildings	9,241,133	451,081	9,692,214
Portable Building Equipment	-	69,073	69,073
Equipment for Tenant Use	-	18,962	18,962
Furnishings	-	7,568	7,568
Office Furniture and Equipment	-	1,784	1,784
Maintenance Equipment	-	114	114
Golf Equipment	-	82,520	82,520
Clubhouse Furniture and Fixtures	-	11,240	11,240
Other Equipment	813,104	-	813,104
Furniture and Fixtures	25,032	-	25,032
Vehicles and Equipment	706,773	-	706,773
Infrastructure Assets - Net of Accumulated Depreciation	<u>14,714,896</u>		<u>14,714,896</u>
Total Noncurrent Assets	<u>29,938,690</u>	<u>1,794,298</u>	<u>31,732,988</u>
Total Assets	<u>40,463,164</u>	<u>1,932,157</u>	<u>42,395,321</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2005
(Continued)

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	383,242	29,593	412,835
Accrued Salaries and Payroll Taxes	428,481	48,524	477,005
Accrued Vacation Payable	10,504	-	10,504
Accounts Payable - Project Improvement	-	71,930	71,930
Sales Tax Payable	-	2,014	2,014
Accrued Interest	-	18,485	18,485
Financing Obligations:			
Due Within One Year	338,164	90,970	429,134
Bonds Payable:			
Due Within One Year	495,000	-	495,000
Sick Leave Payable	35,177	-	35,177
Total Current Liabilities	<u>1,690,568</u>	<u>261,516</u>	<u>1,952,084</u>
Noncurrent Liabilities:			
Tenant Security Deposits	-	19,883	19,883
Flexibe Subsidy Loan Payable	-	151,464	151,464
Financing Obligations:			
Due in More than One Year	710,929	344,584	1,055,513
Bonds Payable:			
Due in More than One Year	4,600,000	-	4,600,000
Total Noncurrent Liabilities	<u>5,310,929</u>	<u>515,931</u>	<u>5,826,860</u>
Total Liabilities	<u>7,001,497</u>	<u>777,447</u>	<u>7,778,944</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	27,578,422	1,031,229	28,609,651
Restricted	-	156,158	156,158
Unrestricted	5,883,245	(32,677)	5,850,568
Total Net Assets	<u>\$ 33,461,667</u>	<u>\$ 1,154,710</u>	<u>\$ 34,616,377</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2005

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 11,447,598	\$ 240,907	\$ 364,026	\$ -
Protection to Persons and Property	5,699,798	710,425	1,042,847	-
General Health and Sanitation	352,538	38,473	-	-
Social Services	3,328,646	-	4,508,472	-
Recreation and Culture	441,281	55,584	-	-
Roads	2,265,101	-	609,132	-
Bus Service	451,843	-	429,793	-
Debt Service	612,531	-	-	-
Capital Projects	3,890	-	-	367,058
Total Governmental Activities	24,603,226	1,045,389	6,954,270	367,058
Business-type Activities:				
Lakeside Terrace Apartments	310,522	379,253	-	-
A.J. Jolly Park	765,579	670,978	-	-
Total Business-type Activities	1,076,101	1,050,231	-	-
Total	\$ 25,679,327	\$ 2,095,620	\$ 6,954,270	\$ 367,058

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes and Licenses
 Occupational Taxes
 Other Taxes
 Excess Fees
 Unrestricted Investment Earnings
 Miscellaneous Revenues

 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning (Restated)

 Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (10,842,665)	\$ -	\$ (10,842,665)
(3,946,526)	-	(3,946,526)
(314,065)	-	(314,065)
1,179,826	-	1,179,826
(385,697)	-	(385,697)
(1,655,969)	-	(1,655,969)
(22,050)	-	(22,050)
(612,531)	-	(612,531)
363,168	-	363,168
(16,236,509)	-	(16,236,509)
-	68,731	68,731
-	(94,601)	(94,601)
-	(25,870)	(25,870)
(16,236,509)	(25,870)	(16,262,379)
3,852,239	-	3,852,239
422,940	-	422,940
641,799	-	641,799
7,463,967	-	7,463,967
1,819,139	-	1,819,139
734,101	-	734,101
171,675	2,763	174,438
914,767	-	914,767
16,020,627	2,763	16,023,390
(215,882)	(23,107)	(238,989)
33,677,549	1,177,817	34,855,366
\$ 33,461,667	\$ 1,154,710	\$ 34,616,377

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund	Housing Choice Voucher Program
ASSETS					
Cash and Cash Equivalents	\$ 1,416,823	\$ 75,588	\$ 146,298	\$ 3,036,974	\$ 98,666
Accounts Rec - Taxes	207,184	-	-	1,724,419	-
Accounts Rec - Excess Fees	151,077	-	-	-	-
Accounts Rec - Licenses & Permits	-	-	-	-	-
Accounts Rec - Intergov Rev.	208,175	271,018	155,763	429,793	-
Accounts Rec- Charges for Services	-	-	14,933	-	-
Accounts Rec - Miscellaneous	123,462	2,338	8,063	-	-
Accounts Rec - HUD	-	-	-	-	93,083
Prepaid Expenses	-	-	-	-	4,600
Total Assets	<u>2,106,721</u>	<u>348,944</u>	<u>325,057</u>	<u>5,191,186</u>	<u>196,349</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	140,544	12,096	101,372	-	747
Accrued Salaries and Payroll Taxes	274,888	36,611	104,181	-	7,775
Deferred Revenue - Delinquent Taxes	46,729	-	-	-	-
Accrued Vacations Payable	-	-	-	-	10,504
Total Liabilities	<u>462,161</u>	<u>48,707</u>	<u>205,553</u>	<u>-</u>	<u>19,026</u>
FUND BALANCES					
Reserved for:					
Encumbrances	25,620	-	756	-	-
TANK Contribution	-	-	-	898,416	-
Unreserved:					
General Fund	1,618,940	-	-	-	-
Special Revenue Funds	-	300,237	118,748	4,292,770	177,323
Capital Projects Fund	-	-	-	-	-
Debt Service Fund	-	-	-	-	-
Total Fund Balances	<u>1,644,560</u>	<u>300,237</u>	<u>119,504</u>	<u>5,191,186</u>	<u>177,323</u>
Total Liabilities and Fund Balances	<u>\$ 2,106,721</u>	<u>\$ 348,944</u>	<u>\$ 325,057</u>	<u>\$ 5,191,186</u>	<u>\$ 196,349</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005
(Continued)

Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 467,536	\$ 1,594,140	\$ 6,836,025
-	287,563	2,219,166
-	-	151,077
-	-	-
-	-	1,064,749
-	-	14,933
-	6,978	140,841
-	-	93,083
-	-	4,600
<u>467,536</u>	<u>1,888,681</u>	<u>10,524,474</u>
-	128,483	383,242
-	5,026	428,481
-	-	46,729
-	-	10,504
<u>-</u>	<u>133,509</u>	<u>868,956</u>
-	835,014	861,390
-	-	898,416
-	-	-
-	-	1,618,940
-	981,632	5,870,710
-	(61,474)	(61,474)
<u>467,536</u>	<u>-</u>	<u>467,536</u>
<u>467,536</u>	<u>1,755,172</u>	<u>9,655,518</u>
<u>\$ 467,536</u>	<u>\$ 1,888,681</u>	<u>\$ 10,524,474</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005
(Continued)

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	\$ 9,655,518
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Notes Receivable: One Year	311,304
Notes Receivable: More than One Year	999,871
Deferred Revenue - Delinquent Taxes	46,729
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	52,456,177
Depreciation	(23,828,662)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Due within One Year - Bonds, Notes, and Other Principal Payments	(833,164)
Due in More than One Year - Bonds, Notes, and Other Principal Payments	(5,310,929)
Sick Leave Payable	<u>(35,177)</u>
Net Assets Of Governmental Activities	<u><u>\$ 33,461,667</u></u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2005

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Jail Fund	Payroll Tax Fund
REVENUES				
Taxes	\$ 6,757,808	\$ -	\$ -	\$ 6,405,617
Excess Fees	734,101	-	-	-
Licenses and Permits	188,997	17	-	-
Intergovernmental	981,772	828,947	878,586	429,793
Charges for Services	29,516	-	163,010	-
Miscellaneous	1,328,328	15,950	90,449	528
Interest	81,844	1,827	2,054	52,607
Total Revenues	<u>10,102,366</u>	<u>846,741</u>	<u>1,134,099</u>	<u>6,888,545</u>
EXPENDITURES				
General Government	2,953,116	-	-	3,664,257
Protection to Persons and Property	2,437,532	-	2,792,053	-
General Health and Sanitation	311,216	-	-	-
Social Services	121,774	-	-	-
Recreation and Culture	310,016	-	-	-
Roads	-	1,416,503	-	-
Bus Service	-	-	-	451,843
Debt Service	1,125,561	94,860	193,591	-
Capital Projects	489,807	35,040	-	-
Administration	2,441,585	265,461	682,492	4,919
Total Expenditures	<u>10,190,607</u>	<u>1,811,864</u>	<u>3,668,136</u>	<u>4,121,019</u>
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(88,241)</u>	<u>(965,123)</u>	<u>(2,534,037)</u>	<u>2,767,526</u>
Other Financing Sources (Uses)				
Campbell County Consolidated Dispatch Board	2,973	-	-	-
Campbell County Extension	76,021	-	-	-
Adjustment - Prior Year Surplus	45	-	-	-
Borrowed Money	800,000	-	-	-
Transfers in From Propreitary Funds - Principal & Interest	-	-	-	-
Transfers From Other Funds	3,625,665	1,075,000	2,625,028	-
Transfers To Other Funds	(5,889,009)	-	(500)	(4,323,003)
Total Other Financing Sources (Uses)	<u>(1,384,305)</u>	<u>1,075,000</u>	<u>2,624,528</u>	<u>(4,323,003)</u>
Net Change in Fund Balances	(1,472,546)	109,877	90,491	(1,555,477)
Fund Balances - Beginning	3,117,106	190,360	29,013	6,746,663
Fund Balances - Ending	<u>\$ 1,644,560</u>	<u>\$ 300,237</u>	<u>\$ 119,504</u>	<u>\$ 5,191,186</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,066,445	\$ 14,229,870
-	-	-	734,101
-	-	-	189,014
3,456,268	198,845	481,787	7,255,998
-	-	-	192,526
-	5,860	92,466	1,533,581
2,832	500	30,019	171,683
<u>3,459,100</u>	<u>205,205</u>	<u>1,670,717</u>	<u>24,306,773</u>
350,483	-	906,922	7,874,778
-	-	66,557	5,296,142
-	-	-	311,216
3,043,819	-	109,502	3,275,095
-	-	-	310,016
-	-	6,753	1,423,256
-	-	-	451,843
-	504,878	14,283	1,933,173
795	-	2,439,918	2,965,560
-	10,868	12,227	3,417,552
<u>3,395,097</u>	<u>515,746</u>	<u>3,556,162</u>	<u>27,258,631</u>
<u>64,003</u>	<u>(310,541)</u>	<u>(1,885,445)</u>	<u>(2,951,858)</u>
-	-	-	2,973
-	-	-	76,021
-	-	-	45
-	-	-	800,000
-	36,845	-	36,845
-	286,878	2,892,061	10,504,632
-	-	(288,700)	(10,501,212)
<u>-</u>	<u>323,723</u>	<u>2,603,361</u>	<u>919,304</u>
64,003	13,182	717,916	(2,032,554)
113,320	454,354	1,037,256	11,688,072
<u>\$ 177,323</u>	<u>\$ 467,536</u>	<u>\$ 1,755,172</u>	<u>\$ 9,655,518</u>

The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2005

CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds \$ (2,032,554)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capitalized Infrastructure Expenditures	321,324
Capital Outlay	2,961,670
Depreciation Expense	(1,955,835)
Capital Contribution to Dispatch	(227,305)

KACO financing obligations and bond principal payments are expensed in the governmental funds as a use of current financial resources. have no effect on net assets.

Bonds Paid	480,000
KACO Capital Lease Principal Paid	327,520

Receipt from Extension for Bond Payment	(76,021)
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Receipt from Dispatch for Lease Payment	(13,863)
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Change in Delinquent Tax Receivable	6,786
Change in Compensated Absences	(7,604)

Change in Net Assets of Governmental Activities	\$ (215,882)
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CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2005

CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	Lakeside Terrace Apartments	A.J. Jolly Park	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 76,404	\$ 45,332	\$ 121,736
Accounts Receivable	1,370	-	1,370
Prepaid Expenses	7,981	6,772	14,753
Total Current Assets	85,755	52,104	137,859
Noncurrent Assets:			
Restricted Deposits			
Tenant Deposits Held in Trust	19,883	-	19,883
Escrow Deposits	20,862	-	20,862
Residual Receipts	132,944	-	132,944
Replacement Reserve	2,362	-	2,362
Total Restricted Deposits	176,051	-	176,051
Capital Assets:			
Land and Improvements	268,340	-	268,340
Land	-	446,451	446,451
Land Improvements	-	688,820	688,820
Buildings	1,654,586	121,869	1,776,455
Building Equipment - Portable	86,587	-	86,587
Equipment for Tenant Use	77,312	-	77,312
Furnishings	39,717	-	39,717
Office Furniture and Equipment	8,229	-	8,229
Clubhouse Furniture and Fixtures	-	92,998	92,998
Maintenance Equipment	6,756	-	6,756
Golf Equipment	-	544,746	544,746
Total Capital Assets	2,141,527	1,894,884	4,036,411
Less Accumulated Depreciation	(1,360,955)	(1,057,209)	(2,418,164)
Net Capital Assets	780,572	837,675	1,618,247
Total Noncurrent Assets	956,623	837,675	1,794,298
Total Assets	1,042,378	889,779	1,932,157

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2005
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>		
	Lakeside Terrace Apartments	A.J. Jolly Park	Total
Liabilities			
Current Liabilities			
Accounts Payable	14,787	14,806	29,593
Accounts Payable - Project Improvement	71,930	-	71,930
Current Portion of Mortgage Payable	90,970	-	90,970
Sales Tax Payable	-	2,014	2,014
Accrued Payroll and Taxes Thereon	8,331	40,193	48,524
Accrued Interest	18,485	-	18,485
Total Current Liabilities	204,503	57,013	261,516
Noncurrent Liabilities			
Tenant Security Deposits	19,883	-	19,883
Mortgage Payable, Less Current Portion	344,584	-	344,584
Flexible Subsidy Loan Payable	151,464	-	151,464
Total Noncurrent Liabilities	515,931	-	515,931
Total Liabilities	720,434	57,013	777,447
Net Assets			
Invested in Capital Assets, Net of Related Debt	193,554	837,675	1,031,229
Restricted Deposits	156,158	-	156,158
Unrestricted			-
Debt Service Requirements	-	323,754	323,754
Recreation Projects Grant	-	208,701	208,701
Operations	(27,768)	(537,364)	(565,132)
Total Net Assets	\$ 321,944	\$ 832,766	\$ 1,154,710

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND

For The Year Ended June 30, 2005

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

For The Year Ended June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	Lakeside Terrace Apartments	A.J. Jolly Park	Total
Operating Revenues			
Rent Revenue - Gross Potential	\$ 261,268	\$ -	\$ 261,268
Tenant Assistance Payments	72,067	-	72,067
Total Potential Rent Revenue	333,335	-	333,335
Vacancies - Apartments	(280)	-	(280)
Net Rental Revenue	333,055	-	333,055
Golf	-	458,075	458,075
Rentals - Power Carts	-	198,398	198,398
Rentals - Miscellaneous	-	955	955
Concesssion Commissions	-	11,863	11,863
Miscellaneous Receipts	-	1,687	1,687
Total Operating Revenues	333,055	670,978	1,004,033
Less:			
Rent Expense - Power Carts	-	47,957	47,957
Gross Profit on Operating Revenues	333,055	623,021	956,076
Operating Expenses			
Golf	-	447,170	447,170
Clubhouse	-	178,133	178,133
Administrative	69,031	55,123	124,154
Depreciation	60,864	-	60,864
Utilities	88,251	-	88,251
Operating and Maintenance Expense	57,827	-	57,827
Taxes and Insurance	30,324	-	30,324
Financial Expense	4,225	-	4,225
Total Operating Expenses	310,522	680,426	990,948
Operating Income (Loss)	22,533	(57,405)	(34,872)

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For The Year Ended June 30, 2005
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Lakeside Terrace Apartments</u>	<u>A.J. Jolly Park</u>	<u>Total</u>
Nonoperating Revenues (Expenses)			
Transfer to Pay on Lease	-	(37,196)	(37,196)
Revenue from Investments - Project Operations	1,833	-	1,833
Revenue from Investments - Reserve for Replacements	706	-	706
Total Financial Revenue	<u>2,539</u>	<u>(37,196)</u>	<u>(34,657)</u>
Interest Reduction Payments Revenue	42,608	-	42,608
Laundry and Vending Revenue	<u>3,590</u>	<u>-</u>	<u>3,590</u>
Total Other Revenue	<u>46,198</u>	<u>-</u>	<u>46,198</u>
Interest Income	<u>-</u>	<u>224</u>	<u>224</u>
Total Nonoperating Revenues (Expenses)	<u>48,737</u>	<u>(36,972)</u>	<u>11,765</u>
Change In Net Assets	71,270	(94,377)	(23,107)
Total Net Assets - Beginning	<u>250,674</u>	<u>927,143</u>	<u>1,177,817</u>
Total Net Assets - Ending	<u>\$ 321,944</u>	<u>\$ 832,766</u>	<u>\$ 1,154,710</u>

The accompanying notes are an integral part of the financial statements.

CAMBPELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2005

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	Lakeside Terrace Apartments	A.J. Jolly Park	Total
Cash Flows From Operating Activities			
Receipts from Green Fees	\$ -	\$ 458,075	\$ 458,075
Rental for Golf Carts	-	198,398	198,398
Miscellaneous Rentals	-	955	955
Rental Receipts	333,132	-	333,132
Interest Received	1,499	-	1,499
Laundry and Vending Revenue	3,590	-	3,590
Excess Rent Retained by Project	1,039	-	1,039
Interest Reduction Payments Revenue	42,608	-	42,608
Other Revenue	-	11,863	11,863
Miscellaneous Receipts	-	1,687	1,687
Cash Payments to Employees	(87,978)	(371,482)	(459,460)
Cash Payments to Suppliers	(156,124)	(265,395)	(421,519)
Net Cash Provided By Operating Activities	137,766	34,101	171,867
Cash Flows From Capital and Related Financing Activities			
Purchase of Capital Assets	(57,871)	(21,847)	(79,718)
Transfers to Pay on Lease	-	(37,196)	(37,196)
Mortgage Principal Payments	(83,582)	-	(83,582)
Net Cash Used By Capital and Related Financing Activities	(141,453)	(59,043)	(200,496)
Cash Flows From Investing Activities			
Interest Earned	-	224	224
Net Deposits to Reserve for Replacements Account	(10,079)	-	(10,079)
Net Deposits to Mortgage Escrow Account	(9,995)	-	(9,995)
Net Deposits to Residual Receipts Account	7,633	-	7,633
Net Cash (Used) Provided By Investing Activities	(12,441)	224	(12,217)
Net Decrease in Cash and Cash Equivalents	(16,128)	(24,718)	(40,846)
Cash and Cash Equivalents - July 1, 2004	92,532	70,050	162,582
Cash and Cash Equivalents - June 30, 2005	\$ 76,404	\$ 45,332	\$ 121,736

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Year Ended June 30, 2005
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Lakeside Terrace Apartments</u>	<u>A.J. Jolly Park</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 22,533	\$ (57,405)	\$ (34,872)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	60,864	67,825	128,689
Financial Revenue	2,539	-	2,539
Other Revenue	46,198	-	46,198
Changes In:			
Accounts Receivable	77	-	77
Miscellaneous Prepaid Expenses	428	-	428
Accounts Payable	(215)	3,425	3,210
Sales Tax Payable	-	37	37
Accrued Interest	1,514	-	1,514
Accrued Payroll and Taxes	3,828	20,219	24,047
Net Cash Provided By Operating Activities	<u>\$ 137,766</u>	<u>\$ 34,101</u>	<u>\$ 171,867</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2005

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2005

	Agency Fund			
	Jail Inmate Account	Consolidated Payroll Tax Account	Performance Bond Account	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 32,140	\$ -	\$ 17,737	\$ 49,877
Total Assets	<u>32,140</u>	<u>-</u>	<u>17,737</u>	<u>49,877</u>
Liabilities				
Amounts Held In Custody For Others	<u>32,140</u>	<u>-</u>	<u>17,737</u>	<u>49,877</u>
Total Liabilities	<u>\$ 32,140</u>	<u>\$ 0</u>	<u>\$ 17,737</u>	<u>\$ 49,877</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA.)

B. Reporting Entity

For financial reporting purpose, the Campbell County Fiscal Court includes the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Campbell County Fiscal Court Housing Voucher Department Housing Choice Voucher Program:

The Campbell County Fiscal Court operates the Housing Voucher Department Housing Choice Voucher Program. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development. This component unit is blended within the financial statements of the County.

Campbell County Public Properties Corporation:

The Board of Directors of the Campbell County Public Properties Corporation is made up entirely of the members of the Campbell County Fiscal Court. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Campbell County Fiscal Court. The Fiscal Court has access to the Corporation's resources and is legally obligated to finance the debts or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Lakeside Terrace Apartments HUD Project No. 083-44012-236:

The Project is a 96-unit apartment complex for the elderly located in Highland Heights, Kentucky. The project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan. Legal title to the project is held by the Campbell County Public Properties Corporation, a nonprofit corporation. This component unit is blended within the financial statements of the County.

A.J. Jolly Park:

The activities of A.J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for using the enterprise fund principle. This reported method was adopted to account for the Park's operations in a manner similar to private business enterprises. The major portion of land on which the Park is operated is owned by the Campbell County Public Parks Corporation, which used two related bond issues to acquire it. Once the bonds are retired, the Public Parks Corporation will transfer title of the property to the County. This component unit is blended within the financial statements of the County.

C. Campbell County Elected Officials Not Part Of Campbell County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Campbell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Campbell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

A significant feature of the government-wide Statement of Activities is the presentation of each program's net cost. GAAP requires the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting program expenses from program revenues. Program expenses are those costs attributable to a particular function including certain indirect costs. GAAP permits both direct and indirect program expenses to be presented together in an "Expenses" column. Therefore, indirect expenses are not specifically identified with individual functions and activities.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The County generally includes those revenues to be received up to 90 days following the end of the accounting period. Revenues expected to be collected after 90 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues include amounts received but unearned as of June 30. In the governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition, principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Payroll Tax Fund – The purpose of this fund is to account for occupational tax collections, which were originally approved by the voters as Section 12 of Ordinance R-34-78 and amended with Ordinance O-26-99. All money derived under the provisions of this Ordinance are to be placed to the credit of:

- A) The General Revenue Fund of the County of Campbell and shall be used and expended in defraying the current general and incidental expenses of the County
- B) To appropriate and pay over to the Transit Authority of Northern Kentucky capital and operating funds as provided in K.R.S. Chapter 96A;
- C) For traffic improvement and mass transportation related projects as authorized by the Fiscal Court.

Campbell County Housing Department Housing Choice Voucher Program – The Campbell County Housing Choice Voucher Program is operated by the Campbell County Fiscal Court. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate this program are obtained principally from the U.S. Department of Housing and Urban Development.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Campbell County Public Properties Corporation – This Corporation was created solely for the benefit of the Fiscal Court to act as an agent in the acquisition and financing of any public project. It is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Emergency Shelter Grant Fund, Senior Citizens Tax Fund, Mental Health Tax Fund, the Developer Road Escrow Fund, Jail Commissary Fund, Campbell County Health Services, Inc. Human Resource Fund, and the Capital Projects Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Payroll Tax Fund, Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, Local Government Economic Assistance Fund (LGEA), Emergency Shelter Grant Fund, Senior Citizen Tax Fund, Mental Health Tax Fund, Jail Commissary Fund, the Developer Road Escrow Fund, and the Campbell County Health Services Incorporated Human Resource Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Campbell County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of cash flows. On the Statement of Revenues, Expenses and Changes in Net Assets, the term “expenses” (not “expenditures” as in the governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds’ principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county’s enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The primary government reports the following major proprietary funds:

Lakeside Terrace Apartments HUD Project No. 083-44012-236

The Project is a 96 unit apartment project for the elderly located in Highland Heights, Kentucky. The Project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan.

Legal title to the Project is held by Campbell County Public Properties Corporation, a nonprofit corporation. The accompanying financial statements are those of the Project and do not represent the financial statements of Campbell County Public Properties Corporation. The Project is a component unit of the Campbell County Fiscal Court.

The Project is subject to Section 8 Housing Assistance Payments agreements with U.S. Department of Housing and Urban Development (HUD), and a significant portion of the Project's rental income is received from HUD. The Project's non-major programs are its rent subsidy and Flexible Subsidy Loan.

A.J. Jolly Park

The A.J. Jolly Park is a component unit enterprise fund of the Campbell County Fiscal Court. The Park is the operator of the A.J. Jolly Golf Course.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The agency funds of Campbell County are the Jail Inmate Account, the Consolidated Payroll Tax Account, and the Performance Bond Account.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are reported at fair market value.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-20
Buildings and Building Improvements	\$ 5,000	25-40
Machinery and Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	5-10
Utility Systems	\$ 5,000	25-40
Infrastructure	\$ 5,000	20-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Compensated Absences

The County's policies regarding vacation time do not permit an employee to accumulate vacation time. Although they earn time based on their years of service, they have until April of the following year to utilize all vacation time earned the previous year. However, upon termination of employment, employees do not receive pay for unused vacation time.

The County Police and the Road Department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the Fiscal Court on December 31, they receive pay for their unused sick time the following January. If they are not still employed on December 31, they do not get paid for their unused sick time.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations (Continued)

The remaining Fiscal Court employees also receive 40 hours of sick leave in January; however, they do not get paid for their unused sick time.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

"Reserved for TANK (Transit Authority of Northern Kentucky) Contributions" is referring to the portion of the TANK payroll tax receivable (first quarter) which the Campbell County Fiscal Court has agreed to provide to TANK to provide transit service in Campbell County.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted, because the Fiscal Court does not approve these expenses made from these funds. However, Campbell County has chosen to budget these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include payroll taxes.

In the fund financial statements, material receivables in the governmental funds include revenue accruals, such as, occupational taxes, grants, and other similar revenues since they are usually both measurable and available. Non-exchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days since they would be considered both measurable and available.

K. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

L. Deferred Revenue

Deferred revenues are treated as liabilities in the governmental funds until all requirements for revenue recognition are met.

Note 2. Deposits and Investments

A. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2005 the County's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name, and therefore were not subject to custodial credit risk.

B. Investments

At June 30, 2005, all of the County's investments were classified as cash and cash equivalents and were collateralized by pledged securities held by the county's agent in the county's name, and therefore were not subject to custodial credit risk.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Operating Leases

The fiscal court entered into a lease agreement for copiers to be used by various county departments. The total expense related to this lease was \$4,671 for the fiscal year ended June 30, 2005. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2006	\$ 4,406
2007	4,406
2008	4,405
2009	<u>4,405</u>
Total Minimum Lease Payments	<u>\$ 17,622</u>

The Park entered into a three year lease for golf carts effective April, 2004 for a total rental of \$142,206. Under the terms of the lease, the Park agreed to obtain an "all risk" property insurance policy covering its full replacement value. In addition, the Park is required to obtain public liability insurance naming the lessor as an additional insured. Lease expense related to this lease was \$47,957 for the fiscal year ended June 30, 2005. The future minimum lease payments for these leases are as follows:

<u>Business-Type Activities Fiscal Year Ended June 30</u>	<u>Amount</u>
2006	\$ 47,402
2007	<u>27,087</u>
Total Minimum Lease Payments	<u>\$ 74,489</u>

Note 4. Short Term Debt

During the year, the County issued Tax and Revenue Anticipation Notes (TRAN) in the amount of \$800,000 for the purpose of providing cash flow needs in advance of receipt of tax revenues received. The TRAN was also repaid during the year from the general fund.

Short-Term debt activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
TRAN	<u>\$ 0</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 0</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,175,528	\$ 10,682	\$ (328,612)	\$ 2,857,598
Construction In Progress	-	1,005,820	-	1,005,820
Total Capital Assets Not Being Depreciated	3,175,528	1,016,502	(328,612)	3,863,418
Capital Assets, Being Depreciated:				
Land Improvements	370,353	11,831	-	382,184
Buildings	10,095,468	1,548,297	(6,701)	11,637,064
Other Equipment	1,293,352	146,325	-	1,439,677
Furniture and Fixtures	106,168	795	-	106,963
Vehicles and Equipment	2,370,345	237,920	(72,325)	2,535,940
Infrastructure	32,169,607	321,324	-	32,490,931
Total Capital Assets Being Depreciated	46,405,293	2,266,492	(79,026)	48,592,759
Less Accumulated Depreciation For:				
Land Improvements	(85,850)	(27,355)	-	(113,205)
Buildings	(3,147,103)	(261,349)	6,701	(3,401,751)
Other Equipment	(460,785)	(165,788)	-	(626,573)
Furniture and Fixtures	(69,829)	(12,102)	-	(81,931)
Vehicles and Equipment	(1,588,193)	(309,050)	68,076	(1,829,167)
Infrastructure	(16,595,844)	(1,180,191)	-	(17,776,035)
Total Accumulated Depreciation	(21,947,604)	(1,955,835)	74,777	(23,828,662)
Total Capital Assets, Being Depreciated, Net	24,457,689	310,657	(4,249)	24,764,097
Governmental Activities Capital Assets, Net	\$ 27,633,217	\$ 1,327,159	\$ (332,861)	\$ 28,627,515

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 480,390	\$ -	\$ -	\$ 480,390
Land Improvements	234,401	-	-	234,401
Total Capital Assets Not Being Depreciated	714,791	-	-	714,791
Capital Assets, Being Depreciated:				
Land Improvements	688,820	-	-	688,820
Buildings	1,756,948	19,507	-	1,776,455
Portable Building Equipment	51,197	35,390	-	86,587
Equipment for Tenant Use	77,312	-	-	77,312
Furnishings	36,743	2,974	-	39,717
Office Furniture and Equipment	8,229	-	-	8,229
Maintenance Equipment	6,756	-	-	6,756
Clubhouse Furniture and Fixtures	85,901	11,443	(4,346)	92,998
Golf Equipment	538,666	10,404	(4,324)	544,746
Total Capital Assets Being Depreciated	3,250,572	79,718	(8,670)	3,321,620
Less Accumulated Depreciation For:				
Land Improvements	(385,362)	(42,344)	-	(427,706)
Buildings	(1,274,758)	(50,616)	-	(1,325,374)
Portable Building Equipment	(11,116)	(6,398)	-	(17,514)
Equipment for Tenant Use	(54,199)	(4,151)	-	(58,350)
Furnishings	(29,834)	(2,315)	-	(32,149)
Office Furniture and Equipment	(5,876)	(569)	-	(6,445)
Maintenance Equipment	(6,596)	(46)	-	(6,642)
Clubhouse Furniture and Fixtures	(84,447)	(1,657)	4,346	(81,758)
Golf Equipment	(445,957)	(20,593)	4,324	(462,226)
Total Accumulated Depreciation	(2,298,145)	(128,689)	8,670	(2,418,164)
Total Capital Assets, Being Depreciated, Net	952,427	(48,971)	-	903,456
Business-Type Activities Capital Assets, Net	\$ 1,667,218	\$ (48,971)	-	\$ 1,618,247

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 155,199
Protection to Persons and Property	401,804
General Health and Sanitation	41,322
Social Services	53,551
Recreation and Culture	131,265
Roads, Including Depreciation of General Infrastructure Assets	<u>1,172,694</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,955,835</u>

Business-Type Activities

A.J. Jolly Park	\$ 67,825
Lakeside Terrace Apartments	<u>60,864</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 128,689</u>

Note 6. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Campbell County Fiscal Court: Campbell County Consolidated Dispatch Board.

The audit of Campbell County Consolidated Dispatch Board can be obtained by writing the Board at 998 Monmouth Street, Newport, KY 41071-2115.

Note 7. Note Receivable

Campbell County Consolidated Dispatch Board

The Campbell County Consolidated Dispatch Board entered into a six year note payable at 3.25% in the amount of \$1,250,000 in accordance with the Memorandum of Understanding (See note 8D) with the Campbell County Fiscal Court dated June 27, 2002. The repayment of the note began during fiscal year 2003. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Other Fees</u>	<u>Total</u>
2006	\$211,353	\$21,310	\$4,490	\$237,153
2007	218,222	14,441	3,043	235,706
2008	<u>226,108</u>	<u>7,349</u>	<u>1,549</u>	<u>235,006</u>
	<u>\$655,683</u>	<u>\$43,100</u>	<u>\$9,082</u>	<u>\$707,865</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 8. Capital Lease Receivable

The Campbell County Extension District Board entered into a capital lease with the Campbell County Public Properties Corporation (CCPPC) on January 6, 1992 for construction of a building for housing the offices of the Extension District. The CCPPC agreed to provide adequate land for the facility as well as assume the responsibility for securing a qualified licensed architect who would design and oversee the complete construction of the project. The Extension District has full responsibility to pay the entire cost of the construction including that of securing financing for the professional expenses, bond expenses, and construction expenses. It was agreed that the Extension District would advance the CCPPC \$175,000 for initial expenses related to the construction and upon occupation of the building by the Extension District, a semi-annual rent obligation would be payable to the CCPPC. The sum payable to the CCPPC shall include all expenses on an amortized basis over the life of the bonds for all costs related to financing and all fees associated with the issuance of the bonds. The Extension District has been granted the option of purchasing the building, parking lot, and area required for ingress and egress from the CCPPC for \$1.00 plus the assumption of all indebtedness owed for the construction of the project, if any. This option expires within 30 years from the signing of the above contract.

The Extension District advanced the CCPPC an additional \$96,932 to cover construction costs in excess of that originally contemplated.

For financial statement purposes, this has been treated as a capital lease.

At June 30, 2005, the future minimum payments required under the lease agreement and the present value of minimum capital lease payments is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$55,000	\$19,151	\$74,151
2007	55,000	17,212	72,212
2008	60,000	15,127	75,127
2009	65,000	12,797	77,797
2010	65,000	10,262	75,262
Thereafter	<u>215,000</u>	<u>13,761</u>	<u>228,761</u>
	<u>\$515,000</u>	<u>\$88,310</u>	<u>\$603,310</u>

Note 9. Long-term Debt

A. 2001 Refunding Bonds

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Project Refunding Bond, Series 2001, to refund Campbell, County Kentucky Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. In the 1992 series, a portion of the project was subleased by the County to the Campbell County Extension District Board pursuant to a sublease dated December 1, 1992 for automatically renewable annual periods through December 1, 2012. Payments to the County under the sublease are equal to the pro-rata portion of the lease payments to be made by the County, which are allocable to the portion of the project being subleased to the Extension District Board. The outstanding balance due to the Campbell County Fiscal Court from the Extension District Board as of June 30, 2005 was \$515,000.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 9. Long-term Debt (Continued)

The new bonds mature in varying amounts from \$70,000 to \$170,000 from December 1, 2001 to December 1, 2022 at interest rates ranging from 3.20% to 5.00%

Bonds outstanding on June 30, 2005 were \$2,055,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 130,000	\$ 85,450
2007	130,000	80,867
2008	135,000	76,064
2009	145,000	70,845
2010	150,000	65,090
2011-2015	630,000	234,288
2016-2020	425,000	130,410
2021-2022	310,000	23,750
Totals	<u>\$ 2,055,000</u>	<u>\$ 766,764</u>

B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation)

First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 were issued July 1, 1997 in the amount of \$3,650,000 for the purpose of refunding First Mortgage Revenue bonds (Jail Facilities Project) issued November 1, 1989. The bonds mature in varying amounts from \$95,000 to \$285,000 from November 1, 1997 through 2017. Interest is payable semiannually on May 1 and November 1 at rates from 4.70% to 4.80%. The bonds are secured by a foreclosable first mortgage lien on the jail property and A.J. Jolly Park and a pledge of revenue from both facilities. During the year ended June 30, 1998, the Campbell County Public Parks Corporation advanced A.J. Jolly Park \$466,200 to pay the cost of a new irrigation system. The amount of bonds assigned to the park and recreation improvements was \$1,665,000. Under the terms of the agreement, the Park is obligated to pay its proportionate part of the bonds and interest as they become due.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 9. Long-term Debt (Continued)

Bonds outstanding on June 30, 2005 were \$2,270,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 220,000	\$ 103,510
2007	230,000	92,823
2008	245,000	81,481
2009	255,000	69,481
2010	265,000	57,000
2011-2015	695,000	153,480
2016-2018	360,000	26,400
Totals	<u>\$ 2,270,000</u>	<u>\$ 584,175</u>

C. First Mortgage Refunding and Improvement Revenue Bonds, Series 1998 (Campbell County Public Properties Corporation)

As of July 1, 1998, Campbell County Public Properties Corporation issued \$1,545,000 First Mortgage Refunding Revenue Bonds (Court Facilities Project), Series 1998. These bonds mature in varying amounts on August 1 of each year from 1999 through 2009. Proceeds of the bonds were issued principally to defease and discharge First Mortgage Revenue Bonds (District Court Building) dated February 1, 1991. Under this arrangement, the Corporation made provision for discharge of all bonds by depositing with the Trustee permissible investment obligations sufficient to pay all principal and interest requirements on the bonds to a permitted date of redemption, or to the date of maturity; consequently, the Corporation has no further liability for the bonds. Interest is payable semiannually on February 1 and August 1 at rates ranging from 4.00% to 4.30% and principal payments are due annually on August 1 of each year.

Bonds outstanding on June 30, 2005 were \$770,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 145,000	\$ 29,992
2007	155,000	23,542
2008	165,000	16,662
2009	170,000	9,459
2010	135,000	2,902
Totals	<u>\$ 770,000</u>	<u>\$ 82,557</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 9. Long-term Debt (Continued)

D. Kentucky Association of Counties Leasing Trust

The Campbell County Fiscal Court, the City of Fort Thomas, and the City of Newport entered into an inter-local agreement dated January 9, 2001, which created Campbell County Consolidated Dispatch Board (Note 6.) As indicated per this inter-local agreement, the Campbell County Fiscal Court shall make a one time contribution of cash in the amount of \$750,000, earmarked for capital equipment and development of the new communications system. Furthermore, the Fiscal Court shall make annual and recurring cash contributions to the Board, earmarked for general operational expenses, at the beginning of each fiscal year, commencing on the first year of dispatch service. The base amount for the initial fiscal year shall be \$200,000, which shall be adjusted each ensuing year by the percentage of increase/decrease in the cost-of-living index for the Greater Cincinnati SMSA area, as reported by the Bureau of Labor Statistics.

A memorandum of understanding was entered into by and between the Campbell County Fiscal Court and the Campbell County Consolidated Dispatch Board on June 27, 2002 implementing the following: The Campbell County Fiscal Court will enter into a six year lease with the Kentucky Association of Counties Lease Trust (KACoLT) in the sum of \$2,000,000 for the purpose of financing dispatch equipment for the Board. A total of \$1,250,000 of the principal amount will be made on behalf of the Campbell County Consolidated Dispatch Board, and a total of \$750,000 will be made on behalf of the County in meeting its obligation pursuant to the inter-local government agreement dated January 9, 2001. In addition, the Campbell County Fiscal Court shall be paid by the Campbell County Consolidated Dispatch Board a total of 62.50% of the annual lease payment less the credit of \$200,000 pursuant to the inter-local agreement. The outstanding balance due to the Campbell County Fiscal Court from the Campbell County Consolidated Dispatch Board was \$655,683.

On June 14, 2002, Campbell County Fiscal Court entered into a six year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of leasing dispatch equipment for the Campbell County Consolidated Dispatch Board. In June 2002, the first drawdown was made on this lease for the purchase of dispatch equipment and furniture. The remaining drawdowns were made in the fiscal year ended June, 2003.

Interest is paid on a monthly basis, and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2008, as shown in the following table.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>	<u>Scheduled Fees</u>
2005-2006	\$ 338,164	\$ 23,552	\$ 8,117
2006-2007	349,155	15,960	5,502
2007-2008	361,774	8,138	2,802
Totals	<u>\$ 1,049,093</u>	<u>\$ 47,650</u>	<u>\$ 16,421</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 9. Long-term Debt (Continued)

E. Mortgage Payable (Lakeside Terrace Apartments)

The mortgage payable as of June 30, 2005 represents a permanent building loan provided by HUD. The balance due as of June 30, 2005 was \$435,554. The monthly installments for principal and interest at June 30 are \$10,375 with a maturity date of February 1, 2010. Interest is being charged at 8.5%. The mortgage note is secured by the apartment project.

Maturities of the principal of the mortgage note are as follows:

<u>Business-Type Activities</u> <u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2006	\$ 90,970
2007	99,011
2008	107,762
2009	117,288
2010	<u>20,523</u>
Totals	<u>\$ 435,554</u>

The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At June 30, 2005, the fair value of the mortgage payable approximates the amount recorded in the financial statements.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 9. Long-term Debt (Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation					
Public Refunding Bonds	\$ 2,180,000	\$	\$ 125,000	\$ 2,055,000	\$ 130,000
KACO Leasing Trust					
Financing Obligations	\$ 1,376,613	-	327,520	\$ 1,049,093	338,164
First Mortgage Refunding and Improvement Revenue					
Bond Series 1997	\$ 2,480,000	-	210,000	\$ 2,270,000	220,000
First Mortgage Refunding Revenue Bonds Series 1998	\$ 915,000	-	145,000	\$ 770,000	145,000
Governmental Activities Long-term Liabilities	<u>\$ 6,951,613</u>	<u>\$</u>	<u>\$ 807,520</u>	<u>\$ 6,144,093</u>	<u>\$ 833,164</u>
<u>Business Type Activities:</u>					
Mortgage Payable	<u>519,136</u>	<u>-</u>	<u>83,582</u>	<u>435,554</u>	<u>90,970</u>
Total	<u>\$ 7,470,749</u>	<u>\$ -</u>	<u>\$ 891,102</u>	<u>\$ 6,579,647</u>	<u>\$ 924,134</u>

Note 10. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$29,941 in interest on financing obligations and \$241,178 in interest in bonds and notes.

Note 11. Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 11. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 12. Insurance

For the fiscal year ended June 30, 2005, Campbell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 13. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to July 1, 2002 is an estimate. The primary government estimated the year this infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost.

Note 14. Prior Period Adjustment and Restatement of Net Assets

Net assets as of July 1, 2004 has been adjusted in the amount of \$328,612 to correct an error in the reporting of the value of land made in the fiscal year ended June 30, 2004. The error had no effect on the change in net assets for the fiscal year ended June 30, 2004.

Additionally, the fiscal year ending June 30, 2005 is the first year the County has included roads and bridges placed in service prior to July 1, 2002 on the statement of net assets as capital assets. Net assets as of June 30, 2004 has been restated in the amount of \$14,783,615 to include these.

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CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2005

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,776,150	\$ 6,776,150	\$ 6,857,869	\$ 81,719
Excess Fees	720,000	720,000	706,085	(13,915)
Licenses and Permits	221,500	221,500	189,997	(31,503)
Intergovernmental Revenue	904,780	904,780	878,115	(26,665)
Charges for Services	35,100	35,100	29,516	(5,584)
Miscellaneous	1,317,300	1,317,300	1,324,232	6,932
Interest	58,200	58,200	81,982	23,782
Total Revenues	10,033,030	10,033,030	10,067,796	34,766
EXPENDITURES				
General Government	3,143,340	3,143,340	2,836,086	307,254
Protection to Persons and Property	2,656,902	2,656,902	2,472,355	184,547
General Health and Sanitation	357,648	357,648	315,495	42,153
Social Services	124,200	124,200	122,030	2,170
Recreation and Culture	305,030	305,030	317,630	(12,600)
Debt Service	2,103,150	2,103,150	1,412,439	690,711
Capital Projects	100,000	100,000	489,807	(389,807)
Administration	2,931,100	2,931,100	2,461,660	469,440
Total Expenditures	11,721,370	11,721,370	10,427,502	1,293,868
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,688,340)	(1,688,340)	(359,706)	1,328,634
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	1,500,000	1,500,000	800,000	(700,000)
Transfers From Other Funds	3,425,490	3,125,490	3,554,465	428,975
Transfers To Other Funds	(3,237,150)	(2,937,150)	(5,602,131)	(2,664,981)
Total Other Financing Sources (Uses)	1,688,340	1,688,340	(1,247,666)	(2,936,006)
Net Changes in Fund Balance	-	-	(1,607,372)	(1,607,372)
Fund Balance - Beginning, as restated	-	-	2,998,577	2,998,577
Fund Balance - Ending	\$ -	\$ -	\$ 1,391,205	\$ 1,391,205

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 100	\$ 100	\$ 17	\$ (83)
Intergovernmental Revenue	688,000	775,000	779,063	4,063
Miscellaneous	-	-	13,612	13,612
Interest	1,000	1,000	1,827	827
Total Revenues	689,100	776,100	794,519	18,419
EXPENDITURES				
Roads	1,454,420	1,541,420	1,431,890	109,530
Debt Service	95,775	95,775	94,860	915
Capital Projects	19,200	19,200	35,040	(15,840)
Administration	295,945	295,945	274,659	21,286
Total Expenditures	1,865,340	1,952,340	1,836,449	115,891
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,176,240)	(1,176,240)	(1,041,930)	134,310
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,176,240	1,176,240	1,075,000	(101,240)
Net Changes in Fund Balance	-	-	33,070	33,070
Fund Balance - Beginning	-	-	42,520	42,520
Fund Balance - Ending	\$ -	\$ -	\$ 75,590	\$ 75,590

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2005
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,537,500	\$ 1,537,500	\$ 815,121	\$ (722,379)
Charges for Services	294,300	294,300	159,088	(135,212)
Miscellaneous	83,250	83,250	88,438	5,188
Interest	500	500	2,054	1,554
Total Revenues	1,915,550	1,915,550	1,064,701	(850,849)
EXPENDITURES				
Protection to Persons and Property	2,809,465	2,809,465	2,778,271	31,194
Debt Service	195,850	195,850	193,591	2,259
Administration	841,105	841,105	677,765	163,340
Total Expenditures	3,846,420	3,846,420	3,649,627	196,793
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,930,870)	(1,930,870)	(2,584,926)	(654,056)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,930,870	1,930,870	2,621,606	690,736
Transfers To Other Funds	-	-	(500)	(500)
Total Other Financing Sources (Uses)	1,930,870	1,930,870	2,621,106	690,236
Net Changes in Fund Balance	-	-	36,180	36,180
Fund Balance - Beginning	-	-	110,118	110,118
Fund Balance - Ending	\$ -	\$ -	\$ 146,298	\$ 146,298

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2005
(Continued)

	TANK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,369,000	\$ 6,369,000	\$ 6,325,187	\$ (43,813)
Intergovernmental Revenue	325,000	325,000	-	(325,000)
Miscellaneous	-	-	528	528
Interest	60,000	60,000	52,607	(7,393)
Total Revenues	<u>6,754,000</u>	<u>6,754,000</u>	<u>6,378,322</u>	<u>(375,678)</u>
EXPENDITURES				
General Government	4,673,670	4,673,670	3,664,257	1,009,413
Bus Services	452,000	452,000	451,843	157
Administration	243,000	243,000	4,918	238,082
Total Expenditures	<u>5,368,670</u>	<u>5,368,670</u>	<u>4,121,018</u>	<u>1,247,652</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,385,330</u>	<u>1,385,330</u>	<u>2,257,304</u>	<u>871,974</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(1,385,330)</u>	<u>(1,385,330)</u>	<u>(4,323,003)</u>	<u>(2,937,673)</u>
Net Changes in Fund Balances	-	-	(2,065,699)	(2,065,699)
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>5,102,673</u>	<u>5,102,673</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,036,974</u>	<u>\$ 3,036,974</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the Fiscal Court does not approve the expenses made from these funds. However, Campbell County has chosen to budget these funds.

In the required supplementary information, the budgetary comparison of the Housing Choice Voucher Program has not been included. Since the Public Properties Corporation is not budgeted, there is no budgetary comparison included for the Public Properties Corporation.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The beginning fund balance on the budgetary comparison schedule for the general fund has been restated to correct an error in the prior year of \$25,620.

Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A schedule reconciling the fund balance on the cash basis at June 30, 2005 to the fund balance on a modified accrual basis follows:

Budgetary Reconciliation to Generally Accepted Accounting Principles – Major Funds

	<u>General</u>	<u>Road</u>	<u>Jail</u>	<u>TANK</u>
Financial Statement Funds (Same as budgetary funds)				
Fund Balance				
June 30, 2005				
Budgetary Basis	\$1,391,205	\$75,590	\$146,298	\$3,036,974
Adjustments				
Accrued Revenues	668,787	273,054	178,759	2,154,212
Accrued Expenditures	(415,432)	(48,407)	(205,553)	-----
Total Accruals	<u>253,355</u>	<u>224,647</u>	<u>(26,794)</u>	<u>2,154,212</u>
Fund Balance				
June 30, 2005				
GAAP Basis	<u>\$1,644,560</u>	<u>\$300,237</u>	<u>\$119,504</u>	<u>\$5,191,186</u>

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**CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information**

June 30, 2005

CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2005

Speical Revenue Funds					
	LGEA Fund	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund	Jail Canteen Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,297	\$ 274,814	\$ 375,710	\$ 108,766	\$ 1,060
Accounts Rec - Taxes	-	95,861	191,702	-	-
Accounts Rec - Charges for Services	-	-	-	-	6,978
Due from Other Funds	-	-	-	-	-
Total Assets	<u>1,297</u>	<u>370,675</u>	<u>567,412</u>	<u>108,766</u>	<u>8,038</u>
LIABILITIES AND FUND BALANCES					
LIABILITES					
Accounts Payable	-	21,338	46,142	-	2,050
Accrued Salaries and Payroll Taxes	-	4,106	-	-	920
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>25,444</u>	<u>46,142</u>	<u>-</u>	<u>2,970</u>
FUND BALANCES					
Reserved for:					
Encumbrances	-	-	-	-	-
Unreserved:					
Special Revenue Funds	1,297	345,231	521,270	108,766	5,068
Capital Projects Fuind	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,297</u>	<u>345,231</u>	<u>521,270</u>	<u>108,766</u>	<u>5,068</u>
Total Liabilities and Fund Balances	<u>\$ 1,297</u>	<u>\$ 370,675</u>	<u>\$ 567,412</u>	<u>\$ 108,766</u>	<u>\$ 8,038</u>

CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2005
(Continued)

Capital Projects Fund			
Capital Projects Fund		Total Non-Major Governmental Funds	
\$	832,493	\$	1,594,140
	-		287,563
	-		6,978
	-		-
	<u>832,493</u>		<u>1,888,681</u>
	58,953		128,483
	-		5,026
	-		-
	<u>58,953</u>		<u>133,509</u>
	835,014		835,014
	-		981,632
	<u>(61,474)</u>		<u>(61,474)</u>
	<u>773,540</u>		<u>1,755,172</u>
\$	<u>832,493</u>	\$	<u>1,888,681</u>

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CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Special Revenue Funds			
	LGEA Fund	Emergency Shelter Grant Fund	Senior Citizen Tax Fund	Mental Health Tax Fund
REVENUES				
Taxes	\$ -	\$ -	\$ 355,639	\$ 710,806
Intergovernmental	6,587	10,000	-	131,213
Miscellaneous	-	-	39,904	-
Interest	62	-	5,588	9,792
Total Revenues	<u>6,649</u>	<u>10,000</u>	<u>401,131</u>	<u>851,811</u>
EXPENDITURES				
General Government	-	-	236,269	670,653
Protection to Persons and Property	-	-	-	250
Social Services	-	10,000	99,502	-
Roads	6,753	-	-	-
Debt Service	-	-	14,283	-
Capital Projects	-	-	-	-
Administration	-	-	10,542	-
Total Expenditures	<u>6,753</u>	<u>10,000</u>	<u>360,596</u>	<u>670,903</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(104)</u>	<u>-</u>	<u>40,535</u>	<u>180,908</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from Other Funds	-	-	-	-
Transfers out to Other Funds	-	-	(561.00)	(264,007.00)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(561)</u>	<u>(264,007)</u>
Net Change in Fund Balances	(104)	-	39,974	(83,099)
Fund Balances - Beginning	1,401	-	305,257	604,369
Fund Balances - Ending	<u>\$ 1,297</u>	<u>\$ -</u>	<u>\$ 345,231</u>	<u>\$ 521,270</u>

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005
(Continued)

<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Developer Road Escrow Fund</u>	<u>Jail Canteen Fund</u>	<u>Capital Projects Fund</u>	
\$ -	\$ -	\$ -	\$ 1,066,445
-	-	333,987	481,787
11,723	40,839	-	92,466
2,225	310	12,042	30,019
<u>13,948</u>	<u>41,149</u>	<u>346,029</u>	<u>1,670,717</u>
-	-	-	906,922
-	66,307	-	66,557
-	-	-	109,502
-	-	-	6,753
-	-	-	14,283
-	-	2,439,918	2,439,918
-	1,685	-	12,227
<u>-</u>	<u>67,992</u>	<u>2,439,918</u>	<u>3,556,162</u>
<u>13,948</u>	<u>(26,843)</u>	<u>(2,093,889)</u>	<u>(1,885,445)</u>
-	500	2,891,561	2,892,061
-	-	(24,132)	(288,700)
<u>-</u>	<u>500</u>	<u>2,867,429</u>	<u>2,603,361</u>
13,948	(26,343)	773,540	717,916
94,818	31,411	-	1,037,256
<u>\$ 108,766</u>	<u>\$ 5,068</u>	<u>\$ 773,540</u>	<u>\$ 1,755,172</u>

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CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2005

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Campbell County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The programs tested as major programs were: Housing Choice Voucher Program, the Section 236 Direct Loan, and the Community Development Block Grant.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Reference Number 2005-1

The County Jailer Should Properly Reconcile Bank Account Monthly

Although the software being used did account for the bank activity in the Jail Inmate account, the auditor noted that there was not a formal bank reconciliation done on a monthly basis. The auditors prepared a bank reconciliation as of June 30, 2005 using the outstanding check listing provided by the software and the reconciliation did not agree to the checkbook balance report provided by the software. We recommend the Jailer properly reconcile the Jail Inmate cash account on a monthly basis and that the reconciliation balance be compared to the checkbook balance to verify these amounts agree.

County Jailer Greg Buckler's Response: No response noted.

County Treasurer Diane Bertke's Response: Will meet with Office Manager and Jailer to ensure this cash account is reconciled monthly.

Prior Year Findings – Financial Statement Audit

1. Employees Of The Fiscal Court Should Account For Compensatory Time Earned and Used - Corrected in current year.
2. The County Jailer Should Maintain Minimum Records As Prescribed By The State Local Finance Officer Pursuant to KRS 68.210 - Corrected in current year.
3. The County Jailer Should Properly Reconcile Bank Account Monthly - Repeated in current year.
4. The County Jailer Should Work With The Bank To Recoup Bank Service Charges And To Minimize Service Charges In The Future - Corrected in current year.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

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CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2005

Federal Grantor

Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and Urban Development		
Direct Program:		
Housing Choice Voucher Program CFDA #14.871	KY13640	\$ 3,406,404
Section 236 Direct Loan CFDA #14.138	N/A	435,554
Section 201 Flexible Subsidy Loan CFDA #14.164	N/A	151,464
Section 8 Housing Assistance Payments CFDA #14.872	N/A	72,067
Passed-Through State Governor's Office for Local Development:		
Emergency Shelter Grant Program CFDA #14.231	S-02-DC-0001	10,000
Community Development Block Grant - Senior Center Fitness & Wellness Addition CFDA #14.228	KY200212192-2007	<u>347,385</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 4,422,874</u>
<u>U.S. Federal Emergency Management Agency</u>		
Department of Homeland Security		
Passed-Through State Department of Military Affairs:		
MA-DES Preparedness - Emergency Support CFDA #97.042	N/A	\$ 51,624
WMD03 Part I - Direct to County CFDA #97.067	N/A	40,877
WMD03 Part II - Direct to County CFDA #97.067	N/A	99,639
Citizen Corps CFDA #97.053	N/A	6,229
Community Emergency Response Team CFDA #97.053	N/A	<u>546</u>
Total U.S. Federal Emergency Management Agency		<u>\$ 198,915</u>

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Justice</u>		
Direct Program:		
Bulletproof Vest Partnership Program CFDA #16.607	N/A	4,607
Public Safety Partnership & Community Policing Grant CFDA #16.710	2002-SH-W-X-0333	88,061
Supervised Visitation & Safe Havens Exchange CFDA #16.527	2002-CW-BX-0010	166,209
Passed-Through State Department of Juvenile Justice:		
Title V - Delinquency Prevention Program - Brighton Center CFDA #16.548	2004-JP-FX-0044	2,570
Title V - Delinquency Prevention Program - Administrative Intern Congressional Earmark CFDA #16.548	2003-DR-FX-0104	<u>6,446</u>
Total U.S. Department of Justice		<u>\$ 267,893</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 4,889,682</u></u>

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a GAAP cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campbell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as finding 2005-1.

- The County Jailer Should Properly Reconcile Bank Account Monthly.

Report On Internal Control over Financial Reporting And On
And On Compliance and Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

VonLehman & Company, Inc.

Audit Fieldwork Completed -
December 29, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

**Report On Compliance With Requirements Applicable To Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Campbell County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell County's compliance with those requirements.

In our opinion, Campbell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Campbell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report On Compliance with Requirements Applicable To Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur, whether caused by error or fraud, and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

VonLehman & Company, Inc.

Audit Fieldwork Completed -
December 29, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CAMPBELL COUNTY FISCAL COURT


**For The Fiscal Year Ended
JUNE 30, 2005**

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

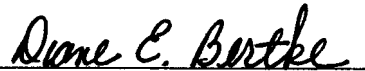
CAMPBELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
JUNE 30, 2005**

The Campbell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name
Judge Executive



Name
County Treasurer